

BULLETIN

of the

BUSINESS HISTORICAL SOCIETY

PAST, PRESENT, AND FUTURE OF THE BUSINESS HISTORICAL SOCIETY

By N. S. B. GRAS

1

LAND TITLE DIFFICULTIES IN MEXICO: A MEMORANDUM WRITTEN IN 1926

By WILLIAM M. FERRIS

13

THE ANNUAL REPORT AS A PUBLIC RELATIONS TOOL IN THREE INDUSTRIES

By JOE B. FRANTZ

23

RESEARCH IN PUBLIC ACCOUNTANCY

By MARY E. MURPHY

43

GENERAL MEETING OF THE MEMBERS OF THE BUSINESS HISTORICAL SOCIETY, INC.

51

BUSINESS HISTORICAL SOCIETY, INC.

Organized in 1926 to promote the study
of business enterprises
from an historical point of view

Officers

JOHN W. HIGGINS, *President*
N. S. B. GRAS, *Vice-President*
ALLAN FORBES, *Treasurer*
PHILIP J. POTTER,
Assistant Treasurer
ARTHUR H. COLB, *Librarian*
THOMAS R. NAVIN
Executive Secretary and Clerk
ELLEN H. BIRNOR
Assistant Executive Secretary

Members of the Council

CHARLES FRANCIS ADAMS
THOMAS C. COCHRAN
DONALD K. DAVIS
ALLAN FORBES
N. S. B. GRAS
CHARLES B. HARDING
JOHN W. HIGGINS
JOHN C. KILBY
HENRIETTA M. LARSON
AUGUSTUS P. LORING III
HENRY L. SHATTUCK
D. GEORGE SULLIVAN
R. GORDON WARREN
WALLACE B. DOWHAM
Honorary Member

The Society collects business manuscripts, books, and reports, distributes publications, and otherwise promotes research; the Harvard Graduate School of Business Administration furnishes space and also assistance from the members of its faculty and staff. The Harvard Business School Associates receive all the publications of the Society.

BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, INC.

HENRIETTA M. LARSON
Editor

ELLEN H. BIRNOR
Assistant Editor

Published quarterly and sent free to members of the Society.

For further information concerning the Society or the Bulletin, address The Business Historical Society, Soldiers Field, Boston 63, Massachusetts.

Copyright, 1930, by The Business Historical Society, Inc.

PRINTED IN U. S. A.

THE BUREAU OF PRINTING CO., PITTSBURGH, N. Y.

Past, Present, and Future of the Business Historical Society

BY N. S. B. GRAS
Harvard University

When I agreed to recount the story of the Business Historical Society, I naturally thought it was my own swan song that was expected. The occasion was presented to me as the probable closing of a period in the history of the Society and the opening of another day. On thinking over the events of the last twenty-five years, however, I have discovered a number of facts of larger issue and have had a chance to peer beneath the curtain of changing circumstances of world-wide import. The Business Historical Society is not just one more of those numerous American organizations that display our national weakness. It was set up under circumstances of high import by men who were feeling their way toward something significant which they but vaguely understood. In this story, therefore, are revealed some of the social processes which are the fabric of our history. There is, indeed, very little of the merely antiquarian in the theme with which we have to deal—the first survey of the Business Historical Society's experiences.

The Business Historical Society was planned as a part of the enlarged Harvard Graduate School of Business Administration. More specifically, it was an outgrowth of an effort to broaden research and instruction in business. Out of this effort came special work in business history, business ethics, and human relations—studies which were long overdue, subjects in which we might catch up the dangling threads of a short-sighted past.

In Dean Donham's effort to do a comprehensive job in formulating a program of instruction that would justify the large sum of money sought—which proved to be the magnificent gift of five million dollars made by George Fisher Baker—he employed George Woodbridge to

EDITOR'S NOTE. This paper was read at a joint meeting of the Business Historical Society, Inc., and the American Historical Association, held in Boston on December 29, 1949.

do some planning. Woodbridge produced what is called *The Bible*, a typescript treatise made up of history and plans. In this survey of needs Woodbridge put down business history as an essential, much, I fancy, as St. Thomas Aquinas put business dealings into his *Theological Summary*—just for the sake of a rounded treatment of his subject. Later, in 1925, Woodbridge participated in the creation of the Business Historical Society and became one of the incorporators.

Woodbridge, who in a sense was the Father of the Business Historical Society, had been a Boston journalist and participant in the Harvard fund-raising campaign of 1924. He was a man of broad intellectual interests, of creative capacity, an organizer, a great salesman, and full of energy. He not only conceived the subject of business history and helped to found the Society but he was tireless in promoting the welfare of the Society during its first years, indeed until his death in 1927. It is interesting to note in passing that Woodbridge established an office for promoting Business Relations in Boston, something, I suppose, like a public relations consulting agency.

In giving Woodbridge the credit of being a founder of the Business Historical Society, I am forgetting neither the administrative support and direction of Dean Donham nor the early munificent gift of a whole library by C. A. Moore, Jr., his mother, and brother. These 50,000 books and 20,000 pamphlets became a nucleus of the present Baker Library. Moore was a Yale graduate, and whether the collection would have come to Harvard except through the Society's efforts is not certain. At any rate, the Society seemed to be functioning as planned.

And then there were the early and honorable members who joined the society and paid their \$25 fee. Among these were Allan Forbes and Charles Francis Adams, as well as Elbert H. Gary, Charles M. Schwab, Myron C. Taylor, Walter S. Gifford, and Jesse I. Straus. It would not be far wrong to say that the original members were the friends of Dean Donham and close to the First National Bank of Boston and the Lee Higginson group. Many of them were graduates of Harvard University.

It is pleasant to record and of general significance that one financial house has from the first supported the Society by free services. This is the State Street Trust Company, which has long played a stalwart part in the social as well as the business life of Boston. The public accepts such aid without acclaim or even recognition.

The first president of the Business Historical Society, Charles H. Taylor, was an incorrigible collector of various objects, including

books and papers on business history. He had no interest in, or patience with, the intellectual problems connected with business history. He had been a student at Harvard but was not graduated. He was manager and treasurer of the *Boston Globe* from 1893 to 1937, on which Woodbridge had also served for a time. Taylor brought his friends into the Society and made generous gifts of papers and books. All these gifts went through the Society to the Baker Library. Taylor fitted into the plan for the Society perfectly.

The Society was established in a period when money was plentiful, when men were optimistic and short-sighted, and when business was becoming recognized as America's great contribution to the world. Indeed, the world sent its representatives to America, and many of them came to the Harvard School of Business, which was regarded by one writer as the center of our despicable business civilization. The Business Historical Society may have been born prematurely, but it was born in the right place.

The first period of the Society's existence was one of organization. It lasted from 1925 to 1927. The 113 members of the first year, who paid \$25 annually, were governed by a small board of trustees who acted as an executive committee of the Council, while the Council, as time went on, tended to become honorary. Professor Gay, one of the original members, agreed to head a committee to add affiliated members to the Society's list. Such members paid \$10 a year. In 1926 I joined the Society and became a member of this committee. There was a sizable amount of cash available during this period but not enough to provide the Librarian of Baker Library, C. C. Eaton, with sufficient funds to use in buying all the books he wanted. Eaton, like Taylor, was a collector. For a time he even had old tools and stoves in the Baker Library, but it was he who in a few years created that magnificent collection which is the Baker Library. Of course, some of the books in the Baker Library were culled from the Harvard College Library, while many others were purchased from year to year.

The Society soon had a staff to serve its needs—Mr. Ayres the executive secretary, Mr. Eaton the librarian, and Mr. Corning the field agent. This was an efficient team which did yeoman service for the Society, until it was finally (by 1935) disbanded by death and for lack of funds.

One of the chief happenings during this early period was the signing of a contract between Harvard and the Society. Harvard was to house the Society, and the Society was to help collect books and papers. The particular recipient of assistance was envisaged as the

Bureau of Business Research in the School of Business. This Bureau, however, never responded to the opportunities. The contract, which is still in effect, can be terminated by either party on a year's notice, but Harvard would retain the books and papers already collected regardless of any separation.

The second period in the Society's history covered the six years from 1927 to 1932. Six annual meetings were held which were largely unworthy of note. The membership, which had numbered 322 in 1928, fell to 309 in 1931. Although the Society, like everything else in America, was slipping in 1931-32, still it attained distinction in the publications which it put out, sponsored, and assisted.

The *Bulletin* had appeared in June, 1926, but seemed determined not to rise to any scholastic heights. It contained and still contains valuable record of the acquisitions of the Society—books and papers which help to give to the Baker Library the distinction it possesses.

The *Journal of Economic and Business History* was begun in 1928 and continued until 1932. It was published jointly by the Society and the School of Business. The editor, Professor Gay, insisted on keeping business history out of the *Journal*, and I insisted on putting it in. The editor resigned. The depression threatened the financial position of the Society, which was therefore compelled to withdraw its support from the *Journal*. The School was itself threatened by the dark clouds of business despair, and the *Journal* was mercifully "suspended," which proved to be a euphemism for "killed." The whole plan displayed an ignorance of all concerned with the meaning of the birth of the new subject of business history.

In 1931 was published the first number of the Harvard Studies in Business History, which the Society came more and more to assist, both in financing publication and by distributing the numbers to its members. This Series was created by the Business History Department but would have had hard sledding without the support of the Society.

The third period covered the three years from 1932 to 1935. These were dark days for the Society and threatening to the School of Business. In 1933 and 1934 the *Bulletin* filled its pages with information about other historical societies. During those two years it held no annual meetings. I consulted the business men of Boston to enlist their aid in getting new members, but without avail. I went to the treasurer of Harvard College to see whether the general funds of the University could be used, particularly to save or revive the *Journal*, but with no success. Clearly, the Society was fighting a losing battle,

but Boston has a habit of holding on. It has a reputation for not taking its losses.

The president, Charles H. Taylor, either because of illness or financial distress, withdrew his support. He had been losing interest because of the tendency of the Society to shift from antiquarian to historical activities and from collection to research. With him gradually went a number of his friends.

The fourth period began in 1935 and continues down to the present moment. It has been a time of renewed vigor on a higher plane of intellectual effort. The leadership had shifted to the business history group in the School of Business. In effect, the Society was handed to me by Dean Donham as a challenge to keep it afloat, he himself gradually losing interest but still unwilling to ignore his responsibilities. Dean Donham probably felt as vaguely as I did that the Society was turning from the task of building up a business library to the task of supporting business history, that is, from a service to the School to a contribution to the nation. And at this point there could arise the issue of financial support.

This period was ushered in by the compilation of a new set of by-laws, which in effect left the Council of seven in power from year to year, or until the next general meeting if there should be one. From first to last during this period the Council has had a high record of attendance and has shown a keen interest in what has been going on. Being made up of men of finance, it was always gratified by the existence of a surplus and by the excess of income over outgo.

During this period, however, the Society has had no executive secretary or field agent paid out of its own funds. The School of Business has given of the time of members of its faculty to perform the necessary operations—of vice-president, executive secretary, and editor of the *Bulletin*. Originally the Society was to serve the School, but now the dependence was reversed. This was accepted as a temporary measure, but it has gone on in one form or another until the present. The heavy contributions and benefits received from the Society during the first three periods were paid for by the School in the period beginning in 1935. Let it not be thought, however, that the Society has not helped the School during this fourth period, for it has continued to collect business books, reports, and documents for the Baker Library and it has contributed regularly to the publication of the Harvard Studies in Business History.

The membership of the Society reached a low point of 161 in 1943. It climbed to 305 in 1944 and to 545 by 1947. This recent increase

came largely through the purchase of memberships in the Society for the Associates of the Harvard Business School. To these Associates, who were contributing to the School's upkeep, were henceforth to be sent all the publications of the Society. In this way the School helped to give to the Associates the feeling that they were getting something like the equivalent of their contribution of a fairly large sum each year. But, at this point, the old-time independence of the Society, never very real, lost even its guise of illusion. We can still add libraries and scholars to the membership of the Society while our old-time general members pass on to the land of the faithful; nevertheless, the predominant interest remains the School group, who are members of the Society only indirectly and incidentally. Some day this should be changed, if circumstances do not themselves alter the situation.

During this period of nearly fifteen years, however, there has been substantial advance along the lines of research and publication and there has been some coöperation with other societies. The Society has sponsored joint meetings with the American Economic Association and the American Historical Association. The first of these was with the American Economic Association in Washington in 1931. In one year during the fourth period two joint meetings were held, one with each association. It soon became clear that the American Historical Association provided a more congenial and fruitful partnership. In 1935, at the suggestion of Mr. John W. Higgins, our president, a meeting was held in Worcester, and it was well attended and of considerable interest. Following Mr. Higgins' suggestion, we had a joint meeting in another regional city—at Providence—where again the attendance was large, partly because the meeting was held jointly with the American Historical Association.

But the really distinctive features of the Society's existence during the last fourteen years have been the printed matter sent to the members. More and more, the *Bulletin*, under the able editorship of Dr. Larson, has carried articles of import to business men and at the same time deeply rooted in history. They seemed to demonstrate that business men will become interested in their own history, if that history is significantly presented. During this period the yearly practice arose of giving two monographs of the Harvard Studies in Business History to each of the members. The funds for this were raised largely by the Business History Department, in which the research work was done. If this stream of effort should dry up, in 1952 or thereabouts, a substitute would have to be discovered if the

members of the Society are to be kept satisfied that the Society is worth while.

At the present time about two-thirds of the support of the Society comes from the School of Business and the Business History Department. This is a reversal of the original plan, which was to make the Society contribute to the School's growth and development. The Society is still ahead of anything which might be called general demand. There is no professional demand for business history because there are so few business historians. Articles on business history are still hard to get, but they are showing a clear promise of increase in number and improvement in quality.

After almost twenty-five years of the Society's existence it is worth while to analyze the groups from which it might possibly draw support. I shall deal with seven possible groups. First, there are the older business men who from first to last have been the anchorage of the Society. These have been chiefly Harvard graduates, though Yale has been conspicuously represented. And, though New England has provided the preponderance of the business-man representation, there have been distinguished members from beyond the sacred precincts, such as the younger Morgan, Samuel Insull, and James Farrell. These older men of business have been called the anchor of the Society and they have been just that: an anchor provides stability but not movement. These men have had a feeling that business history is important, though they have not themselves been in a position to contribute notably to understanding it or creating it.

The younger business-man group has never been strong numerically, but it contains a germ of hope. When these men have had training in the lore of business, they can appreciate the details of business history and they may some day insist on its further development. Already a beginning has been made to have younger business men participate in the administration of the Society's affairs.

The third group is made up of libraries which collect, bind, and preserve our publications. They magnify our influence rather than make any financial contribution. Indeed, what they pay in fees, as in the case of junior business men and scholars, is exceeded by the cost of what they receive. But here is the link to posterity and it is valuable.

The fourth group consists of historians who may be expected to aid on the intellectual rather than the financial side of the Society's work. Historians are always looking for new themes and new sources of study. Business can be put alongside politics, religion, education,

and recreation as component parts of life. That historians are slow to recognize the importance of business is due to a variety of causes, of which ecclesiastical and classical prepossessions are the most important. It is open to them to weave the work of business men into the pattern of life which would show the enormous expansion of business influence in recent times. Still, the historians have their own national association and various regional societies, and little direct support for the Business Historical Society can be expected from them, except in so far as they cultivate the subject of business history.

The fifth group from which the Society might expect support is made up of economists. This is the smallest of the lot, for the simple reason that few economists have any interest in business or the business man, and therefore none in business history. In schools of business there are exceptions, and notable exceptions, but even there the number of exceptions is not large.

The sixth group is the small band of economic historians from whom little more than occasional assistance can be expected, though that assistance may be important and is to be welcomed. The economic historian often takes his cue from the economist and therefore has no clear vision of the importance of the business man, though he does play with the metaphysical concept of the entrepreneur. Indeed, he will turn occasionally to write the history of a business or the biography of a business man, but typically the sources will be primarily from outside business, the point of view will not be administrative, and the accounting sense will be not well developed.

The seventh group is the little band of business historians which, though small, may grow. When one reflects on the long period required for economics and economic history to gain recognition as disciplines worthy of study, he may be encouraged to believe that the twenty-five-year period already nearing a close is not too discouraging. But let me say here and now that the way to develop the Business Historical Society is to develop business history. There is indeed no other avenue of success in the long run.

What we might do in the future to help the cause at hand is worthy of every consideration. We might develop so as to appoint paid officials who would add to membership and collect books and documents for the Baker Library in accordance with the original practice. But there is some question as to whether the Baker Library is prepared to receive many more business records. The amount of original research there is not large, and the case system precludes any extensive use of the Library by the students. Moreover, with growth

and success the early emphasis on the Library had faded from the consciousness of the School by 1935.

We might play with the idea of divorcing the Society from Harvard, give it an independent status, and even make it national in its coverage. By stimulating the development of an interest in business history in all parts and perhaps the formation of State historical societies of business, something might be done. I have not noticed, however, that any States have followed the example of Indiana in setting up a State business historical society. On the whole, one must conclude that the difficulties of our Society would simply be multiplied and magnified by any immediate national effort.

We could tie the Society up with business by directing every effort toward producing articles and books that would assist in the solution of current business problems. Enough has been done in recent years to indicate the possibilities. But in developing this emphasis we would lose much among the scholastic groups. To be sure, it might be worth a desperate effort. I believe it could succeed on the financial side. A class of members was recently created which provided for a hundred-dollar membership by a business concern. Only the Worcester Pressed Steel and the United States Steel Corporation had participated on this basis when the effort to get business members was discontinued because of the feeling of the Harvard School of Business that it competed with Business School Associates, who paid a larger sum to the School.

The Society might broaden its base, as has been suggested. It might agree to bring in any of the groups above mentioned to promote work in business history and membership in the Society, even though it was clearly understood that some of the work would necessarily be below the desirable level of performance. It might recognize that there are various types of history of business, of which business history is only one. For instance, there are the following possibilities, all useful in themselves:

The business history of business (true business history).

The economic history of business.

The political history of business.

The social history of business.

The legal history of business.

The business interpretation of general history.

In other words, although we may recognize that the core of the subject is the business history of business, that is, written from the administrative point of view, still there is room for all the different

types. Certainly, to many persons the Society would not appear so exclusive if all correlative groups were brought in. I could imagine no better team to assume leadership in this direction than Dr. Larson and Mr. Navin, the latter being the efficient executive secretary of the Society since 1945.

Perhaps it would be well to weigh the consequences, or some of them, of broadening the scope of business history and the membership of the Society. For instance, if economic historians write what is called business history, but which is in reality the economic history of business, then there will be repeated the time-honored neglect of administration and the business man. This means just one thing, which is at once subtle and potent, namely, the conclusion that the business man is in reality predatory and parasitic; that he does not administer nor produce, though he does take a profit. Business men like the broad presentation of the economic historian without seeing what are the social implications of the point of view involved. Here is just one more illustration of the effectiveness of the traditional instruction by the economists in high schools and colleges, from which business men do not rise to independent thinking.

Now, if we add the subservience of the author to the acceptability of the economic history of business (over the administrative history of business), we are confronted with a situation which is as alarming as it is insidious. By this I mean that the author may, and sometimes does, undertake to write a history for a company without the protection of a university or a foundation, and therefore puts himself into a position of subordination, wherein he is not free to write what he finds or indeed sometimes he does not even get a guarantee to publish. If there is any level on which business and education should not coöperate, this is it.

If the author of a business history does not stand squarely between the public and business and if he does not deal emphatically with the administration of business, then the results of his work will be unfortunate. In this case it would be better if business history had never been born, because it would subserve that brand of public relations, already too prevalent, of "pleasing but fooling the public."

It would be my particular thesis, if I had a thesis, that no business historical society could attain any marked or permanent success until the subject it sponsored was itself successful. I should go so far as to say not until business history, written from the administrative point of view, was successful. During recent years I have come to believe that the subject of business history needs a companion discipline—

business economics. I refer to the creation of an economic theory which makes the business man the center of study, and not just an entrepreneur who is recognized as a possible but doubtful factor of production but whose only lusty occupation is the taking of profits. Of course I am not belittling what is now called "business economics," which is nothing else than applied neo-classical economics, and very useful it is in skillful hands. I want the twin disciplines of business history and business economics to create the realism which is too long overdue, namely, the recognition that in history and theory the business man has occupied a dynamic part in human affairs, that his individualism has spilt over into the arts and sciences, and that his practical approach to life is what provides the material basis of our civilization.

If I wanted to scold anyone, I should say that it is the fault of both business men and scholars that the truth has not been made known. If there were time, the reasons could be spelled out. But society is now confronted with a world revolution that is deeply rooted in our ignorance of the contributions of business men and of the part played by the profit motive. History may record that Britain is becoming socialistic because its economics has never recognized the business man as a factor of production while it has played him up as a sharer in the income of business. Recently, when the labor government was most anxious to stimulate production, it raised taxes on profits, not realizing that the profit motive has been and is fundamental. If business men in Britain and America had established chairs of business history and business economics instead of chairs of economics, the world would be in a different position today.

In other words, we are confronted with a problem of failure not so much in the Business Historical Society as in wide-flung parts of the world. It would be a nice conceit that some business man of vision would discover for himself that private business enterprise cannot survive even in America so long as business is held up as predatory and parasitic in the schools and colleges; that some of the millions spent on employee relations and public relations are of the nature of a temporary palliative and a final waste; and that business should abandon its aloofness from research and education and insist that subjects like business history and business economics be promoted and finally made into the most cogent and convincing disciplines in the educational and cultural world. If this were done, or, may I say, when this is done, there will be no problem of support for the Business Historical Society or a possible Business Economics Association.

Societies grow naturally in the soil of America. The American Goat Society is said to have a membership of 900. The American Rose Society has 7,500 members. The American Sunbathing Association, formed in the dark days of 1932, may be made up of nudists, but they refuse to stand up and be counted. The Guild of Former Pipe Organ Pumpers, established in 1926, has 4,000 wistful members. Ducks Unlimited boasts of 50,000, and the Anti-Profanity League, of 60,000. The number in Alcoholics Unlimited has not yet been counted.

Surely we here are a modest group when we are content with our present paid membership of 630, but I am convinced that we have much work of a fundamental nature to do before we can expect the Society to grow larger. Let the work in business history mature, let scholarly performance in the field spread, and there will be no problem of membership. But, in this growth and spread, both business men and scholars have a part to play. Right here, at our door, is an opportunity for an even more fruitful coöperation between business and education which events seem to indicate is so compelling, if we are to preserve the civilization we cherish.

Land Title Difficulties in Mexico

A MEMORANDUM WRITTEN IN 1926

EDITOR'S NOTE: This memorandum of a manager of a Hearst hacienda in Mexico from 1922 to 1931 records an episode in the re-distribution of lands during the revolution which began in 1910. This memorandum, set down soon after the events which it records, is indicative of the methods used by revolutionary governments and officials in fulfilling their promise of land to their agrarian followers. It also illustrates the resulting confusion to business managers and the insecurity of property, especially foreign-owned. By such methods a great deal of foreign management and capital was driven out of Mexico.

Though it must be recognized that revolutions are in essence the denial of legal processes, there is always the question of results even to the revolutionary peoples themselves. This memorandum by implication raises a question of wide significance. Did the distribution of large land holdings actually improve the condition of the Mexicans whom it was purportedly aiding? The history of the Hacienda San José de Babicora would make an interesting case study.

Mr. Ferris, the author of the memorandum, continued to manage the Hacienda until 1931, always struggling with the State and Federal governments and with authorities in neighboring towns and villages to keep them from appropriating the Hacienda's lands under one pretext or another. Mr. Hearst donated to the surrounding villages the lands needed to complete the setting apart of *ejidos* (common lands) on the condition that they agree thereafter to let the ranch alone. Though they so agreed, it was not long before State and Federal governments again began to apply new pressures.

Soon after Mr. Ferris had left Mexico in 1931, squatters by the hundreds began invading all the lands of the Hacienda capable of being farmed. The best lands, the tillable lands in the valleys, were thus taken, and only hills and mountainsides remained for the support of the cattle of the Hacienda. The number of cattle was reduced from 50,000 to 25,000.

The Hacienda is at present nominally administered by a manager who resides in El Paso, Texas, but he has not visited it for many years

and must work through his Mexican substitute. The value of the Hacienda has been reduced by at least 75 per cent, according to Mr. Ferris. It would be illuminating to know what has happened to the total productivity of the lands that once made up the Hacienda, a question that is of significance to many countries today, where large units are being broken up. It is pertinent to ask in these days whether land-hunger may eventually lead to hunger of another kind. Here is a field the business historian might well explore.

* * * * *

As a general rule, laws governing land titles in Mexico are very good; indeed, in some respects they are better than our own. For example, when a transfer of title is made, the notary public cannot legalize the transfer until all taxes on the property have been fully paid and a receipt from the tax collector is presented to him as proof.

It should be explained that the notary public in Mexico is a much more important official than in the United States. He exercises the same functions as our county clerk, executes deeds and transfers of titles, records them in his official book, and keeps the original document. In case of his death or the closing out of his business, all records made during his period as notary public are sent to be preserved in the State capitol. The notary public gives one a certified copy of the document for one's own use, and in case of loss of the deed one may have as many certified copies made from the record as desired. But the notary public cannot legalize a deed until all the laws have been complied with, and, when he does so, the deed is practically guaranteed by the government.

The old land titles in Mexico were derived mostly from land grants given by the Crown of Spain to early Spanish *conquistadores*, or settlers. The surveys of these grants were far from accurate. Usually the grantee would look over the land, request that the line start from some prominent mountain peak or landmark, run so many kilometers to the north to another peak, thence east so far to another, thence so far southwest to another, thence so many kilometers to the starting point, to enclose so many hundreds or thousands of hectares of land. A subsequent grantee might use the same starting point, but mark off toward the northwest, for example. This would leave a vacant section, in between the two grants, still belonging to the federal government.

After the country was well covered with such grants, there remained hundreds of these *demasias*, containing over 100,000,000

acres of land, scattered throughout the country. The federal government had no exact record of the location of these vacancies and did not wish to go to the expense of having them surveyed. Instead, they made contracts and gave "concessions" to companies and individuals to do this work, each in a specified territory.

The contracts granted the surveyors, after the work was done and as recompense for their work, title to one-third of all land found within these surveys; two-thirds of the acreage remained the property of the government. Some contracts called for colonization of the lands, but not all. At this time, which was in the early 1880's, public lands in the State of Chihuahua had an official price of only 20 centavos, 10 cents American currency, per hectare (2.47 acres).

After receiving title to their share from the government, most of the surveying companies proceeded to sell and alienate their lands to third parties. Titles to many well-developed ranches and farms were based on these old surveying concessions, which should have been as good as gold, because most of the titles were only once removed from the federal government's ownership. The revolutionary leaders, after 1910, however, in order to gain and retain the support of the lower classes, once they had succeeded in establishing a new government, made all kinds of promises of gifts of land and other advantages to them.

To fulfill these promises and preserve a semblance of legality, the government of Mr. Obregon in 1924 decided to "examine" and "revise" the old surveying concessions, with the object of declaring them "illegal" and returning the land to the possession of the government. It mattered nothing to them that the present owners had purchased these lands in good faith and that the titles were as legal as those which any government could have granted since the Independence of Mexico.

From 1922 to 1931, I was manager of the Hacienda San José de Babícora in the State of Chihuahua, containing some 900,000 acres and belonging to Mr. William R. Hearst. The hacienda represented three different purchases made by his mother, Mrs. Phoebe A. Hearst, during the 1880's and one, in 1897, made by Mr. Hearst himself. No doubt had ever been cast on any of these titles; all possible precautions had been taken at the time of purchase to ensure the soundness of the titles.

To be successful as manager of any important business in Mexico during the troublous twenty years following the Revolution of 1910, a man had to be something of a diplomat, lawyer, and almost a

prophet, as well as a business man. To keep up to date regarding new laws and decrees of the government that might affect the interests of the company, I had to read carefully each new issue of the State of Chihuahua's *Periodico Oficial*.

Thus, under date of January 5, 1924, I saw a notice to Jesus E. Valenzuela & Co., of which the following is a translation:

To the Citizens, Jesus E. Valenzuela & Co.:

The concession obtained by you of the 9th of December, 1882, to survey and colonize government lands in the Cantons of Guerrero, Bravo, Degollado, Victoria, Aldama, Meoqui, Camargo, Allende, Hidalgo and Abosola, in the State of Chihuahua, has been reviewed and carefully studied. The concessions obtained by you carried, as a consequence, the monopolization of over 2,000,000 hectares of land, with grave prejudice to the interests of the public; therefore, under Art. 27 of the new Constitution, your contract should be declared null and void, and null and void also, all titles based on your concession. Before declaring them null, you will be allowed a period of 30 days in which to appear and defend your interests.

Forty-two years had passed since Valenzuela & Company had made these surveys, and these men had long since passed to their reward. Obviously it was not Valenzuela & Company the government was after, but the present owners of the lands deeded to Valenzuela & Company by the federal government as payment for their work in surveying such lands in 1882.

All the title documents pertaining to the Hacienda San José de Babicora were kept in the office in San Francisco, California, and I had never seen them. But having heard that the titles to a part of Mr. Hearst's land were based on that old concession, I immediately translated this notice and sent it to Mr. Edward H. Clark, my superior in New York. A few days later I went to El Paso, Texas, where I had an office and where my family lived. I found there a telegram from New York, instructing me to be ready to go to Mexico City and to take steps to interview President Obregon. Then I was to undertake having these titles revalidated.

Mr. Hearst was to send a telegram to Mr. Obregon regarding the matter and advising him that I was to handle the details. It must be said that Mr. Obregon had a most friendly feeling toward Mr. Hearst at that time, since the Hearst papers had been urging the recognition of Obregon's government by that of the United States. This at last had recently been done.

Since the 1923-24 revolution was still in full swing and the area

between Chihuahua and Mexico City was under fire, I had to go via San Antonio, Texas, and Monterey, where the road was open to travel.

Arriving in Mexico City on March 1, 1924, I took steps at once to secure an interview with Mr. Obregon through the American Chargé d'Affaires, Mr. Summerlin, who sent me with a note to the Foreign Relations Department. However, an interview was not obtained with the President until March 18, 1924.

Although approximately fifty people, among whom were "Generals" and important politicians, were waiting to see him, the President asked me into his offices, jumped up from behind his desk, shook hands, and invited me to be seated, at the same time asking if I wanted an interpreter. I answered that I thought I could make myself understood, and that I was only a *vaquero*, not a diplomat, at which he laughed heartily. He was something of a *vaquero* (cowboy) himself!

With patience, the President heard my explanation but said that the matter should be referred to the Departamento de Agricultura y Fomento, through regular channels, saying that we would be accorded all the attention and consideration that the case demanded. In order that the President might not forget, I left with him a memorandum in the form of a letter, a translation of which follows:

To General Alvaro Obregon,
Constitutional President of Mexico,
Mexico, D. F.

Sir: The undersigned, Wm. M. Ferris, Manager of the Babicora Development Co., the shares of said Company belonging to Mr. Wm. R. Hearst, begs to inform you that this Company is owner of, and has held under legal title, a tract of land located in the District of Guerrero, State of Chihuahua, known as the Hacienda San José de Babicora, for 39 years one part and for more than 27 years another part. Important and costly improvements have been made on these lands and some 1,500 people are maintained by the work of planting and the care of the cattle of the Hacienda. Even now, houses of the workers are being remodeled, shower baths being installed, five free-schools maintained and teachers paid by the Hacienda, and for some years we have spent more than the business produced.

Now, the Government of Mexico, through its Secretariat of Agricultura y Fomento, according to a notice published in the Periódico Oficial of Chihuahua, under date of January 5, 1924, threatens to declare null the titles to 156,401 hectares [386,310 acres] of these lands because the

original titles were based upon a surveying concession granted to Jesus E. Valenzuela & Company by the Supreme Government December 9, 1882.

Mr. Wm. R. Hearst, personally and in good faith, purchased these lands, taking all precautions within his power to make certain the titles were legal, and since that time he has been operating there, paying his taxes, etc., recognized by all governments and by all the world as the legitimate owner of the Hacienda of San José of Babfeora.

Now, by instructions of Mr. Hearst, I come to respectfully beg that you will do us the favor to order the unconditional revalidation of the titles that protect the lands of the Hacienda, located in the District of Guerrero, State of Chihuahua. I bring with me certified copies of the registry of these titles in the archives of the City of Guerrero, Head of the District of the same name, in which these lands are located.

Protesto lo necesario,

(signed) W. M. FERRIS,

Mexico, D. F., March 6, 1924

In answer, about a month later while en route to New York, I received a telegram from Mr. Obregon, which translated read as follows:

With reference to your letter and the matter referred to in that letter, I asked and obtained certain data from the Departamento de Agricultura y Fomento and am sorry to inform you that I find, from these reports, that there are many serious irregularities in the documents [!] under which the lands to which you refer are being held, and that the said Department has used these irregularities as a basis for proceeding in the manner that it has. Nevertheless, I wish to assure you of the kindly disposition of the Executive Office under my charge in the matter of instructing the Department that it may render all facilities possible to said business for the purpose of presenting the documents and proofs which you consider may serve to prove the ownership of those lands and all proceedings which you may undertake to carry out, and which naturally can be interpreted as a defense of the interests of your Principal, you being assured that the matter will be given all due consideration by said Department.

(signed) ALVARO OBREGON

In the meantime, Mr. Charles Beecher Warren had been appointed American ambassador to Mexico. During my interview with him a few days after his arrival, he agreed to direct a note to the Departamento de Agricultura y Fomento, asking that no decision be made in the matter until we had had time to make the proper representations

in defense of our interests. So that a record of the subject might exist there, copies of documents were filed with the Embassy.

The Ambassador also advised that Lic. [Attorney] Fernando Gonzalez Roa be retained to handle the business before the Department, as he stood well with the President and in government circles. He was a man of considerable influence. Roa was one of three Mexican commissioners who had worked all the previous summer with Mr. Warren and Judge Payne on the agreement between Mexico and the United States by which Obregon's government was recognized. I retained Roa and gave him power of attorney to enable him to represent the company, promising to send him as soon as possible a complete set of documents covering all titles. This was done after some time.

It proved difficult to find all the documents needed, since some had never been registered at Guerrero. At Chihuahua some had been registered in the District Court, which later had been moved to Juarez. Other records left in the office of a notary public had been lost, and part of the records of the District Court had been destroyed during the revolutions.

One of the most important documents, that covering the tract called "El Aguaje," I finally found in an old wooden cupboard, rolled up among ninety-nine other bundles of documents of various kinds. It had miraculously escaped destruction, although Guerrero had been one of the "hottest spots" during the many years of the revolution and the subsequent invasion by Pershing's army.

Work on revalidation of the titles proved more difficult than Lic. Roa had anticipated; the officials always promised to arrange everything "shortly," but showed no disposition to do anything at all. The fact was that, although they were favorably disposed to do what Mr. Hearst asked, they did not wish to do anything that would establish a precedent. A number of lawyers, representing other interests with cases like our own, were in Mexico City closely watching the outcome of our case. If it should be resolved favorably, they would immediately demand like treatment from the Department. The Department obviously had no intention of revalidating many titles.

Trying to get the matter settled quickly I made many trips to Mexico City, but always there was some "delay." The best Mexican lawyers will let matters drift unless there is somebody behind them to keep pushing. I felt embarrassed at having to follow Roa around to get something accomplished.

Finally, on August 14, 1924, the Valenzuela Concession was declared null and void, but Lic. Roa secured the insertion of a clause in the decree allowing titles to be revalidated at the discretion of the President or the Minister of Agricultura y Fomento.

After a careful study of the abstract of title covering the "Aguaje" tract of 135,487 acres, I thought I saw a way to fix matters, and I submitted a memorandum, through Lic. Roa, to the Department as follows:

After the survey was made by Valenzuela & Company in the Canton Degollado, State of Chihuahua, the public lands were divided between the government and Valenzuela, the Government $\frac{2}{3}$, and Valenzuela $\frac{1}{3}$, all that were found in this district, the lot called "El Aguaje," amongst many others, remaining the property of the government.

Celso Gonzales, as a private individual and *not* as partner of Valenzuela & Co., had previously purchased 50 *sitios*, or 87,780 hectares, of land from Juan Zubiran, situated in the central part of the "Grand Mesa del Carmen" in the State of Coahuila. In *exchange* for these 50 *sitios* in Coahuila, the government granted title to Gonzales, under date of September 30, 1885, to 70,835 hectares of land in Chihuahua, of which Gonzalez later sold to Mr. Hearst the tract of 54,853 hectares called the "Aguaje" tract, said tract being the property of the federal government, and never that of Valenzuela & Co.

The title from the Government to Gonzales was registered in the *Registro de Títulos de Propiedad*, page 49, Gonzales delivering his titles to the 50 *sitios* of land in Coahuila.

The Department appointed a commission to investigate their records to prove or disprove the assertions made in my memorandum. After they had made the investigation and proved my statements to be correct, the Department made an unequivocal declaration to that effect on October 8, 1924, as follows:

Sr. Lic. Fernando Gonzalez Roa,
Representative of Babicora Development Company,
Present:

In answer to your petition of the 3d inst. in which, in the name of your Principal, you ask that this Secretariat declare that the land called "El Aguaje" containing 54,834 hectares, situated in the 4th zone of the Canton Degollado, State of Chihuahua, belonging to the aforesaid Company, is not affected by the nullification of the Jesus E. Valenzuela concession, as it never formed part of the lands of said concession, as is shown by articles of incorporation of the Company you represent in which enumeration of lands transferred to said Company is made, I make known to you that: The corres-

ponding investigation having been made it was found that, effectually, the aforesaid property called "El Aguaje," of 54,835 hectares, is outside of the Valenzuela Concession and, consequently, is not affected by the Presidential Decree nullifying said Concession, which this Secretariat declares, as the result of your petition, which is thus answered.

(signed) R. P. Denegri

The Secretary

During the summer and fall of 1924, I had spent practically four months of my time trying to push this business along and had not proceeded very fast. At the same time I had had to neglect the other business of the Hacienda, having no assistant manager to take my place there and no other person to do what I was doing in Mexico City.

The head of the section of the Department through which this business had to be handled talked in a very friendly way every time I went to see him, but he would do nothing to expedite my business. It finally dawned on me that he was waiting for something, and I thought I knew what it was. He was simply waiting for me to hint to him that his *gratificación* [expected graft] would be forthcoming! When I finally made this plain to him, he got busy right away, and within *two weeks* the whole matter had been settled favorably.

On October 16, 1924, our lawyer, Lic. Fernando Gonzalez Roa, received an official telegram from the Minister, Ramon P. Denegri, as follows:

Referring to your several petitions on behalf of the Babicora Development Co., I make known to you that this Secretariat has studied said subject, and has decided in a sense favorable to the interests of the Company you represent. Communicated to you for your knowledge.

(signed) Ramon P. Denegri

The Secretary

I consulted with Lic. Roa, who was of the opinion that this was all that was necessary in revalidating the titles. Therefore, I immediately took steps to secure certified copies of all the petitions to the Department by Roa; of the clear declaration in regard to the "El Aguaje" title; of the official messages between chiefs of different sections of the Department; of the official message to the agent of the Department in Chihuahua instructing him to see that the Babicora Development Company "be not disturbed in the exercise of its rights

as owner of the lands to which reference is made." All these certified copies were obtained and sent to the office in San Francisco.

Furthermore, translations of all the certified copies were left in the American Embassy in Mexico. Ambassador Sheffield, who in the meantime had replaced Mr. Warren as ambassador, did all he could to aid us in this business. And, when all was done, he directed a note to the Foreign Relations Department stating that the Embassy had been advised of the arrangement and asking that the proper officials be thanked, thus letting them know that all was a matter of record in the Embassy.

Immediately I left Mexico City for home, thankful that the "bad headache" was over.

WM. M. FERRIS

Hacienda de Babícora

January 14, 1926

The Annual Report as a Public Relations Tool in Three Industries

Though their roots reach back for centuries, both public relations and the corporation annual report have reached semi-maturity only during the present century. Business public relations began with the reaction of the first customer to the goods, services, and personality of the first man who offered some commodity—the ham of a squirrel, a live coal, a stone spear—for sale or barter. Everyone has business public relations of some sort, and even those modern companies which still disdain any formal public relations cannot escape the fact that daily they produce some sort of relations reaction in dealing with their segment of the public. As for corporation annual reports, they go back to the time the first corporation totaled its receipts and expenditures at the end of the first year and told its stockholders that they had lost or made so much money. From those beginnings have developed a public relations field that is today a professional science, albeit somewhat ambiguous, and corporation annual reports that rival the sleek magazines in budget requirements, circulation, attention-getting features, and the worry and labor of the staff which prepares them.

Because major companies have been issuing annual reports now for the past thirty to fifty years, a detailed consideration of annual reports would involve more space than can be allowed here. Accordingly, this article will confine itself largely to an examination of annual reports in three industries which are more or less basic: the foods, farm machinery, and automobile industries. The choices are arbitrary. Demand for foods continues regardless of business cycles, so that a study of foods will reveal what happens to annual reports in an industry which conceivably could prosper without annual reports or any other sort of public and stockholder relations. With money as scarce as running water in the Dust Bowl, the consumer will continue to buy food, whether or not he ever intends to pay. On the other hand, both farm machinery and automobiles, though long since graduated from the luxury classification, more nearly reflect fluctuations of the general economic situation, demand for the products rising or falling in direct ratio to the immediate ability of the

consumer to pay or to his confidence in his eventual ability to meet credit demands.

WHAT IS PUBLIC RELATIONS?

Considerable space has been given in books, articles, and speeches to defining public relations, and the definitions are as varied as the writers and speakers, except that no thinking writers confuse it with mere publicity. Public relations is promiscuous, embracing all business without regard for merit. It is likewise malleable, and can be bent and molded according to whatever formula serves the individual concern. It is both pervasive and ephemeral, ever-present and yet elusive. Therefore, an attempt to confine public relations to one set of words is foolish, because public relations means different things to different men.

A public relations director of General Motors, Paul W. Garrett, saw public relations as a fundamental philosophy of mind and management which "with enlightened selfishness" considers the broad interest of the customer first in every business operation. To W. J. Cameron of Ford the quality of public relations could be gauged only by asking whether a community was better off with an industry than without it. An over-simplified approach to proper public relations would be to take the often-misquoted Golden Rule from St. Matthew and to consider public relations as a way of life in which only techniques differ.

Public relations, then, is an attempt at mutual understanding between the business man and his public. Again, let us quote from the public relations director of General Motors:¹

... while it is essential that the Corporation understand the public, it is equally essential that the public understand the Corporation. Goodwill is established and maintained not alone by excellence of product and service; but by a combination of this with public knowledge and acceptance of the policies of the Corporation.

The correct interpretation of such policies to the public is regarded as a primary function of management. Progressive industry today places the formulation of sound public relations policies on a parity with the formulation of other major policies. In fact, it goes further and recognizes that every forward step in procedure should be subjected, whenever possible, to advance appraisal from the standpoint of the public interest in order to ensure any contemplated action meeting with public acceptance.

¹ General Motors, *Annual Report*, 1932.

TOWARD WHOM IS PUBLIC RELATIONS DIRECTED?

It is still not uncommon to hear men use the words *public relations* and *stockholder relations* interchangeably, a hold-over from the day when management thought its sole duty was to corporation owners. Show a careful attention to cost, a proper balance between receipts and expenditures, and a generous dividend check, and management could smile in the knowledge that it had good public relations—the stockholders were happy.

Such a concept went out of fashion in the wake of the departure of corporate free enterprise. Since business nowadays lives in a glass house, its character has changed from an institution existing primarily for the enrichment of shareholders until any business of size is at least semi-public and must consider its relations with every person and group with whom it comes in contact.

First, for obvious reasons, come customer relations. In a day when monopoly is rare, a corporation cannot afford to be high-handed with customers. This is true because of two threats, one by competitors, some of whom will know the economic value of good public relations; and the other is the ever-constant possibility that customers will demand political regulation of an offending concern.

Equally important are employee relations, another aspect of general public relations that too often is considered as something apart. Most industry with backbone resents government intervention in labor disputes, yet only through proper public relations with reference to employees can industry hope to refute the conception that pseudo-disinterested governmental agencies alone can resolve labor-management difficulties.

A good modern public relations policy is also directed at capital, which furnishes the fuel for business; toward the general public as separate from the consuming public; toward the state, with whom business must seek coöperation to survive; and, finally, toward industry as a whole. A rounded public relations program will take cognizance of all these divisions of modern life.

AIM OF ANNUAL REPORTS

If the annual report is going to be a full-fledged tool of public relations, attention must be given to its potential readers in order that an appeal can be directed at the correct audience.

Originally, annual reports were aimed at directors of a company solely, a condition which persisted until about 1910, when stock-

holders began to be included. Beginning in the 1930's, the more progressive companies included another audience, the employees, and shortly after, customers and "friends," which would bring in capital goods producers. In a random sample of seventy-five annual reports made in 1946, Professor Thomas H. Sanders of Harvard's Graduate School of Business Administration found only five companies addressing their annual reports specifically to groups other than stockholders. Of the five companies, four were foods companies—Cudahy, Borden's, Jewel Tea, and Corn Products—and the fifth was a combination farm and heavy machinery company, Caterpillar Tractor. In only two of the five cases did the practice of addressing other than stockholders originate before 1940, Caterpillar having begun in 1937, with the Borden Company following suit the next year.²

On the whole, however, most companies have progressed only from slanting their reports toward directors' interests to an emphasis on stockholders' interests.

PURPOSE AND HISTORICAL BACKGROUND OF ANNUAL REPORTS

Originally, the annual report gave only the accounting picture of a corporation. Basically, that should always be the reason for an annual report. As the trend toward fuller disclosure developed following World War I, annual-report compilers added more and more editorial text, invariably to explain events of the recent past that they might serve as a key to the immediate and long-range future.

As public relations departments and counselors made themselves felt, annual reports began to exercise a new function, that of educating, not only the stockholder but the employees and the public as well. Most annual reports have reached that stage today.

Development of the annual report has kept pace with development of the American corporation and increasing State and Federal regulation. Before the Civil War not enough corporations existed on a sufficient scale for the state or public to take notice. Most men were sole proprietors or partners whose business was *their business*. When after the Civil War the large corporation began to grow with the same headlong abandon that most of the United States was experiencing, corporation owners (once petty capitalists themselves or sons of petty capitalists, and therefore steeped in a tradition of secrecy) carried

² Thomas H. Sanders, *Company Annual Reports* (Boston: Division of Research, Harvard Business School, 1949), p. 18.

forward their belief that disclosure of financial tactics was akin to being loose-mouthed. Fifty to seventy-five years later, occasional business men still cling to the illusion of secrecy, though happily their numbers are dwindling and their business compatriots consider them anachronisms. What most men do not realize is that though secrets of technique exist, financial secrets do not, and that no one knows so much about a man's company as do his rivals.

In the post-Civil War period, when free enterprise was at its sentimental best and, for all its success, its unrealistic worst, corporations saw no need for annual reports. Many, in fact, saw no need for regular stockholder meetings. *Caveat emptor* may have departed as a general trade practice, but it flourished with regard to the novice stockholder. As late as 1905 the Westinghouse Company had gone ten years without an annual meeting, while Senator Thomas Platt's United States Express Company held no meeting for a generation, nor issued any statement of any sort regarding its financial condition to its owners, the stockholders. In that era the American Sugar Refining Company, with more than ten thousand shareholders, issued only the slightest of balance sheets, with four very broad classifications of assets and three of liabilities, so that the only real nugget of information to be gleaned was that American Sugar's books balanced.

More than any other institution, the New York Stock Exchange should receive credit as at least the godfather of annual reports. The Securities Exchange Commission and other inquisitive latter-day agencies may have encouraged the annual report to expand, but in the last quarter of the nineteenth century the New York Stock Exchange demanded regular reports of new members as a means of checking. That its seeking was not always appreciated may be inferred from the terse reply of one railroad to a request for information: "The Delaware, Lackawanna, & Western R. R. Co. make no reports and publish no statements and have done nothing of the sort for the last five years."³

Such was the situation at the turn of the century. Only new listings on the New York Stock Exchange felt a necessity to give full financial information. As far as stockholders were concerned, a company sent out reports or not, depending on its own enlightenment—and enlightenment in public relations is not one of the more memorable features of this business era. Thus we find a government agency in

³ William Z. Ripley, *Main Street and Wall Street* (Boston, 1927), pp. 157-159; N. Loyall McLaren, *Annual Reports to Stockholders* (New York, 1947), pp. 5-6.

1900 opining that "one of the chief evils of large corporations is the lack of responsibility of the directors to the stockholders. In many cases the directors hold their position for a series of years, and practically never make reports that are calculated to give to the individual stockholders much light on the actual methods of management."⁴

After 1900 the trend toward regularly published annual reports became perceptible, gaining tempo through the increasing awareness of the public character of all large business. The New York and other stock exchanges tightened their requirements, the Interstate Commerce Commission asked for periodic reports by transportation facilities, and State commissions required reports of businesses under their supervision, especially the public utilities. From 1900 on, annual reports became a commonplace, with the list swelling each year. The remainder of this article will eschew discussion of twentieth-century efforts to lift the ever-thinning cloak of secrecy enfolded around accounting information, in order to concern itself with specific patterns of development.

CHANGES IN PHYSICAL STYLES

Early annual reports in the foods, farm machinery, and automobile industries were characterized by their simplicity. There were no photographs or drawings and little text. Ordinarily a balance sheet comprised the entire report, with no attempt at explanation for the non-comprehending stockholder. Most reports were 5 x 8 inches in size.

Two exceptions are International Harvester, whose report for 1907 contained photographs of products and plants, listed total sales, and made a stab at topical departmentalization; and Allis-Chalmers, which in 1901 contained some brief text matter, presented departmentally.

In the 1920's the companies considered for this study added expository material, which usually was nothing more than repetition. Reports took on a more formal look, adding stiff binders. Size remained unchanged.

The slick paper, 8 x 11, highly decorated annual report of today made its appearance in the late 1930's. Departmentalization became general, and a minimum of expatiation on the meaning of the figures was presented. In the period from 1941 to 1943 annual reports added striking photographs, multicolored covers and insides, charts, graphs,

⁴ Ripley, *op. cit.*, pp. 159-160.

cartoons, and careful elaboration of the balance sheets and income statements. In the latter period, too, the annual report fattened, each succeeding issue apparently trying to outdo its predecessor in sheer weight.

Since World War II there has been little change in the physical appearance of annual reports, though some may be apparent when the next crop is harvested in the spring of 1950. The trend toward retrenchment in business is likely to bring cuts in the budget allowable for annual reports, so that the reports will lose some of their full-blown, rose-in-bloom appearance while retaining their essential features.

EVOLUTION OF CONTENTS

The balance sheet was the heart of the early annual reports, and beyond that almost nothing was included. By 1910 income statements were becoming frequent, invariably without listing sales figures. Ten years later sales figures were added, along with a restatement in sentence form of the various figures.

Concern was openly expressed in the annual reports of 1921 and 1922, the first time that such candor was seen. Harassed by the decline following World War I, companies frankly asked "Whither?" and attempted to answer their question. This published anxiety with events of the moment continued, and it is not surprising to find many annual reports adding departments in 1933 on labor and on socialization features of industry. (International Harvester, almost always well in the van in using annual reports to further its public relations, had run a detailed account of its employee pension fund and employees' benefit association as far back as 1907.)

When the battle clouds of 1939 opened their sluice gates to let war rain on Europe, the annual reports added departments of national defense and of war. In 1944, with an end to the war in sight, departments detailing postwar plans appeared. Since 1945 considerable space has been devoted to labor and to the rôle of industry. Of paramount interest is the place of private enterprise, as is indicated, for instance, in the opening paragraph of an American Telephone and Telegraph report:⁵

The Board of Directors of the American Telephone and Telegraph Company presents herewith the management's accounting of its stewardship for

⁵ American Telephone and Telegraph Company, *Annual Report*, 1947.

the year 1947 for the information of stockholders, employees, telephone users and the entire American people who have entrusted to private enterprise the responsibility for carrying on this essential national service.

REPORTS OF THE AUTOMOBILE INDUSTRY

Consistently paced by General Motors, the automobile industry has issued some of the most effective annual reports from a public relations standpoint, and some of the poorest. In a class apart is the Ford Motor Company, which issues no annual report in the United States, although its Canadian subsidiary, Ford Motor Company of Canada, Ltd., issued brief reports from 1916 through 1945, and since then, has issued sleek reports not unlike those of its competitors, except that there is little comment on broader issues.

In the beginning Packard took the lead among automobile companies in presenting annual reports that would have public relations value. In 1911, when General Motors was listing profits without revealing sales volume necessary to obtain those profits, Packard was telling its sales, and two years later it gave a frank appraisal of past mechanical mistakes, an amazing admission for that day and not too common at the present. Ordinary procedure is to ignore mistakes, or where a mistake is glaring, blame outside forces.

Sales volume became a general listing in 1919, although late-comer Chrysler, which issued its first annual report in 1925, gave no sales figures until 1928. For twenty-two years, from 1910 to 1932, Packard ran a complete chart tabulating its net sales, income, and dividends, making a comparison of Packard financial progress available at a glance. General Motors added a history of the automobile industry in 1920, the same year that Nash explained the relationship necessary between bankers and automobile manufacturers. When Nash lost \$7,500,000 in 1938, the company, in contrast with some companies which omitted any statement of profit and loss in unprofitable years, explained fully how the loss occurred. Most automobile companies were aware that their annual report audience likewise bought cars, and beginning with Nash in 1934, included such promotional material as photographs of the several models, price lists, and mechanical advantages. Whether or not this combination of salesmanship with an account of financial stewardship constitutes good public relations is debatable.

With the advent of the New Deal, General Motors added another department to its annual report, a cost-of-government section, which

each year includes the amount paid in taxes by the company together with an explanation of what this means in terms of sales, dividends, and prices. General Motors has also run a long section on public relations since 1932; this in the aggregate amounts to a small, if somewhat repetitious, text on one company's concept of public relations.

REPORTS OF THE FARM MACHINERY INDUSTRY

The farm machinery industry displays much more consistency in type and quality of annual reports over the past half-century than the automotive industry evidences. Admirers of Judge Gary, remembering his statement that "Corporations cannot work on a principle of locked doors and snut lips,"⁶ might attribute his early chairmanship of Allis-Chalmers as a contributing influence to the general high standard. Whatever the reasons, the several large farm machinery companies have taken a leading position in recognizing efficacy of annual reports in the public relations field.

International Harvester's early detailing of its employee security plans has been mentioned. Five years later (in 1912) Deere & Company added a similar section, describing the functioning of pension, sick benefits, workingmen's compensation, and employee stock ownership funds. In 1911 International Harvester described its efforts to combat tuberculosis, and in 1918 the report contained a long section on industrial relations. The following year International Harvester announced that it was naming a vice-president for public relations—an attorney, incidentally—and thenceforward the effect of the addition was noticeable. In 1928, for instance, when Calvin Coolidge was riding the crest of popularity, when stocks were high and speculation was rife, and when anyone who suggested there was a limit to America's speculative expansion was looked on as possessing a cynical lack of faith, the International Harvester annual report was advising its readers that too much money was being spent on the stock and security markets and that the direction of investment was dangerous.

In physical appearance the Deere annual reports showed the least change over the years, running an almost identical report from 1912 through 1944, always with John Deere's photograph as a frontispiece. For some reason, Deere did not give sales figures until 1936. Meanwhile Caterpillar had announced in its 1934 report that it was releasing its monthly sales, profits, and balance-sheet position, a progressive

⁶ McLaren, *op. cit.*, p. 31.

move aimed at keeping its public immediately abreast of Caterpillar's financial position instead of having to wait a twelve-month period. At the close of World War II Caterpillar enlarged its public relations program by adding educators, ministers, and business men to its annual-report mailing list in the belief that, though these groups might possess no business interest in Caterpillar, they were nonetheless worth convincing of Caterpillar's contribution to the American community and their friendship should be sought.

REPORTS OF THE FOODS INDUSTRY

As in the automotive industry the variance in annual reports for the foods industry is quite wide. Beechnut, for instance, has hardly changed its report in form, size, or text, except for substituting the latest figures, since it issued its first report. The same is true of Best Foods, Standard Brands, First National Stores, and Corn Products (until 1946, when explanatory charts were added), while the Great Atlantic & Pacific Tea Company confines itself to an annual postcard giving the balance sheet and total sales figures, omitting even profit and loss totals.

At the other extreme are such concerns as General Foods, Borden's, and National Dairy, whose reports are virtual show-windows of their companies' activities. In the period from 1927 to 1931, when the Borden Company was expanding tremendously, each of its annual reports detailed acquisitions and enlargements, telling how each addition fitted into the Borden "family" and how it should solidify the Borden competitive position. National Dairy, matching Borden's expansion during this same period, likewise told the story of its growth in each report. In the late 1930's, apparently contemporaneously with the addition of public relations directors, the three companies augmented their annual reports considerably, issuing what were in effect 35-to-40 page booklets employing a pleasing use of colors, charts, photographs, and discussion of various phases of the companies' activities in an effort to acquaint the reader with problems involved in handling firms of such diversity and magnitude. Borden's particularly has been active in giving advice and information regarding the various factors called into play in America's endless "pursuit of happiness," explaining bases for belief in a profit system, private enterprise, and so on. General Foods and National Dairy have kept step, and in 1948 we find General Foods stating that the job of Management is to find a better way of doing things, and then

launching into a lively discussion of just how Management intends to fulfill its function.

FUNCTION OF THE PUBLIC RELATIONS DIRECTOR
IN PREPARATION OF THE ANNUAL REPORT

Until the 1930's most annual reports were conceived in, characterized by, and issued from the company treasurer's department. Public relations was new-fangled, something to be handled by a lawyer who knew what not to say or a publicity man who confused public relations with free advertising. The backbone of the annual report was the financial statements.

Financial statements remain the backbone, as they should be, but surrounding the backbone has grown a solid slab of beef, nurtured and kept there by the public relations department. Unfortunately, many a stockholder and many an employee are uninitiated beyond rudimentary bookkeeping, so that the sight of a balance sheet provides a signal to turn to the next page, where there may be something more digestible. Aware of this ignorance, or lack of interest, public relations men have contrived to put something on that next page which will arrest the eye of the report reader, hold it, and ease him into a knowledge of what the company is doing, what the industry is accomplishing, and what benefits the reader derives from living under a private enterprise system.

That there are dangers in permitting the more superficial public relations men too free sway is undeniable. Certainly many accountants fear a possibility that public relations departments, intoxicated by their own eloquent prose, will neglect the solid financial necessities to conduct quixotic jousts with the broad abstractions of the world.

Professor Sanders sums it up this way:⁷

... contributions from the public relations and advertising departments should not go to the length of placing the annual report wholly in their hands. Its managerial and accounting subject matter are too important and too technical to be treated satisfactorily by others than the principal operating, financial, and accounting officers. Recognizing the able and genuine contributions of some public relations men, especially those who have become thoroughly versed in the company's basic policies, there are others who try to buy the public favor too cheaply, with the result that their contributions are likely to sound superficial and unconvincing. The subject matter of the

⁷ Sanders, *op. cit.*, pp. 26-27.

annual report is too serious business to be handled in any such specious fashion:

That the opportunity is great enough to engage the full powers of public relations men of understanding and imaginative insight is especially evident when it is realized that the task to be undertaken is not only to inform the public about the company issuing a particular report, but also, . . . to give expression to the company's place in a free enterprise system.

RÔLE OF INDUSTRY, AS SEEN IN ANNUAL REPORTS

In attempting to assay the rôle of industry in the midst of modern complexities, the automobile industry is the most articulate in expressing its views through annual reports. The other two industries contribute their bit, but less often. Individually, General Motors makes the most frequent and usually the most cogent statements. But let several companies speak for themselves. Here is how Caterpillar sees it:⁸

A manufacturer's business is to serve his customers well, pay as good salaries and wages to employees as the industry can afford, and make a reasonable profit for the investors in the enterprise.

It is well to bear in mind that it is the customer's money which pays both employee compensation and profits to investors—and the customer must always be well served. Management's job is to administer the industry's affairs so that the benefits derived from its operation are equitably distributed among customers, employees and the investors so that each group receives its reasonable share.

General Motors explains itself as follows:

If our country is to remain a democracy in fact, it is essential that, through the process of education, there be developed a better understanding not only of the factors involved in our increasingly complicated national economy, but also of the economic consequences of the things that are done, as well as the things that are not done, which influence the lives, the happiness, and the security of all the people. The management of General Motors Corporation recognizes such a responsibility and assumes the obligation, with respect both to its stockholders and to the community at large, of promoting in every proper way a more comprehensive understanding of industry; what it contributes; why it contributes; how it can contribute more, and why it may contribute less.⁹

General Motors recognizes that, more than anything else, what counts in building good public relationships is the job done. But just doing a job is not enough. Objectives, policies and practices also must be understood.

⁸ Caterpillar Tractor Company, *Annual Report*, 1939.

⁹ General Motors, *Annual Report*, 1935.

Accordingly General Motors seeks first of all to give all people connected with the organization itself an understanding of management policies. GM knows that if its own people believe in its policies, they will do a better job. . . .

In the final analysis General Motors' policies, to succeed, must have the understanding and respect of all concerned. Such understanding can be developed only through the presentation and understanding of management policy and accomplishments. To tell the story of General Motors and of industry of which it is a part in such a way as to be understood better by people in all walks of life is of vital importance—more so today than ever before. What is General Motors? What is industry? How does industry accomplish what it does? What benefits derive from industry in the community? There are few chapters in the book of human effort more dramatic than the accomplishments of American industry over the years. . . . Yet there is hardly a chapter in the book of human effort less understood.

. . . Should any policy appear to be out of harmony with public thinking at the moment, it becomes the responsibility of industry to present the facts to the forum of public discussion, fearlessly and aggressively.

The policy of GM management is actuated by the principle that "What is good for the people of the country is good for General Motors."¹⁰

Industry has the additional responsibility of demonstrating sound social as well as sound economic objectives. The way a company produces is often as important as *what* a company produces.¹¹

In stating its views Nash tends to be more grandiloquent and high-flown. A study of the statement below reveals sound sentiment whose effectiveness is destroyed by the staginess of its style. As one reads the following, he feels that he should be hearing it from his radio loudspeaker accompanied by a fanfare ending in a deafening crescendo, or else viewing it in a multi-colored advertisement:¹²

. . . we have attempted among other things to bring to the American people an appreciation of the part that industry has played in the progress of the nation which has achieved by far the highest standard of living of any country in the world. . . .

Whatever the future may hold, whatever the rules by which we shall be governed, one thing appears certain: After Victory and the world is again at Peace, we shall enter a period of reconstruction, expansion and industrial progress such as we have never known.

Against this bright horizon of opportunity, there will rise a tide of prosperity which must be translated into the greatest amount of good for the greatest number of people.

That is a job for individual initiative and private enterprise.

We shall be ready for it.

¹⁰ *Ibid.*, 1944.

¹¹ *Ibid.*, 1945.

¹² Nash Motors, *Annual Report*, 1943.

LABOR RELATIONS

In using the annual report to foster good labor relations the farm machinery industry takes the lead. In 1946, when seven of the eight Allis-Chalmers plants were strikebound, Allis-Chalmers gave a careful summary of the situation: who wanted what, which demands were irreconcilable, and what the future held. Tribute was paid to the majority of the workers, Allis-Chalmers recognizing their dual loyalty to company and to union. The summary ended on the following sober note:¹³

The future of our employees and our Company lies in our ability to start anew to develop the highest type of mutual respect for one another so that the period ahead may be noteworthy for its uninterrupted production and employment security.

Caterpillar has emphasized employee relations since it first addressed its annual report to employees in 1937 with a statement that employees possess many common interests with stockholders and should receive equal information regarding Caterpillar operations, "the better to weigh the various economic, social and political theories now being so generally discussed."

Within a decade this interest in labor, as expressed in Caterpillar reports, had grown until the 1946 report carried the following features of interest to employees: labor history of the year; a chart comparing for fifteen years the Caterpillar man-hours with the Federal Reserve Board index for all production; a chart showing numbers of employees and stockholders for fifteen years; a chart comparing employee compensation with company profits; a chart comparing the movement of indices of hourly wages and annual wages for fifteen years; and discussions of employee payrolls, in-job training, community relations, and housing problems.

When in 1947 Caterpillar resumed its two-week August shutdown for vacations for the first time since World War II, it noted its action in the following paragraph:¹⁴

Caterpillar has long recognized the importance of people and knows that to be successful an enterprise must provide in employment much of the satisfaction that men seek in life. In seeking to achieve greater satisfaction, management endeavors first of all to deal with each employee as an individual whose work makes an important contribution to the success of the business.

¹³ Allis-Chalmers, *Annual Report*, 1946.

¹⁴ Caterpillar Tractor Company, *Annual Report*, 1947.

It endeavors not only to pay wages that are fair, but also to provide a safe and pleasant place to work, to offer opportunities for job advancement, to make available liberal insurance benefits and retirement plans, to encourage thrift, to promote recreational activities, to assure adequate medical care, to handle complaints or grievances with utmost fairness, and to keep employees informed.

The Caterpillar report for 1947 also explained the controversial Taft-Hartley Act, a measure virtually ignored in the reports of other companies investigated for this study.

When the economic distress of 1930 forced International Harvester to lay off many of its employees, the company attempted to keep employees independent of charitable and unemployment organizations by loaning them money to be repaid from their future earnings. These efforts were duly chronicled in its 1930 report.

Contrasting with the foregoing forthright labor relations is the statement appearing in the Chrysler annual report for 1939, a year in which Chrysler suffered a 54-day strike: "During this unfortunate interruption to production," the report reads, "our dealers and the public generally showed a remarkably sound appreciation of the importance of the issues involved." But nowhere does Chrysler tell what issues were involved.

In the same vein is the statement appearing in the 1933 annual report issued by Packard. In that year Packard experienced a tool and die workers' strike, which was dismissed as follows:¹⁵

If time permitted I would relate to you the principal issues involved in the current labor problems as I know them. Perhaps you have kept yourself well informed through the press and otherwise. I suggest you do so because these matters are of important interest to all stockholders.

Finally, on the subject of labor relations, there is the statement appearing in a General Motors report which, from a GM standpoint, must belong to that category of phrases which causes the utterer thereof to look, scratch his ear perplexedly, and mutter, "Did I say *that!*" *That* is the statement in the 1934 annual report lauding Franklin D. Roosevelt for his "statesmanlike pronouncement" regarding labor-management responsibilities.

CUSTOMER AND COMMUNITY RELATIONS

As this twentieth century has worn on, more and more companies have grown conscious of their place within the community. Although they may be little more dependent on the community than the aver-

¹⁵ Packard Motor Car Company, *Annual Report*, 1933.

age man is on his next-door neighbor, companies are getting that neighborly feeling, a feeling of belonging, with all the responsibilities which belonging can entail.

Thus in 1948 Allis-Chalmers included in its annual report a section on the company's community relations, telling of attempts to share in "wholesome community activities" through plant tours and visitations and coöperation with service clubs, schools, and churches. Caterpillar in 1944 told of contacts maintained with local newspapers and radio stations, speakers provided for civic, church, and club groups, motion-picture showings arranged, and other activities entered into to foster a "better understanding and a continued friendly spirit . . . between the community and the Company."

Back in 1912 International Harvester caught the community spirit, setting up an agricultural extension department which in the next seven years held seventeen thousand meetings for farmers, plus fifty-one thousand other meetings attended by ten million persons. In that period four million copies of one hundred and twenty booklets on agricultural subjects were distributed. Other companies have added extension services, especially the foods companies, who service a tremendous number of projects and people yearly. Credit for agricultural extension goes back at least as far as the last third of the nineteenth century, when the railroads set up agricultural extension bureaus to learn which crops were suited to their Western land grants and to instruct the farmers whom they settled on those lands.

Conscientious attention is generally given to customer relations. When Packard in 1946 announced that it was not ready to produce a convertible with an automatic transmission, because the transmission as then developed did not meet Packard's "full satisfaction," it made a statement which could stand as a keystone of the good customer relations practiced so successfully by most of the companies considered here: ". . . your Company believes the motoring public never should be used as a guinea pig." In announcing that after forty years it had perfected a cotton picker, International Harvester advised small-farm customers to continue hand picking because of the large capital investment necessitated by the mechanical picker. Again in 1945 International Harvester announced a liberalization of its patent policy designed to aid both customer and industry—within five years after a patent is acquired, IHC will license that patent for use by other companies. Intelligently, International Harvester did not claim altruism, but said that such a policy was, first, "a sound business move," and then a public service.

These attitudes toward consumer and community are a far cry from the days when secrecy of activity and motivation was a fetish.

BUSINESS CYCLES, AS SEEN IN ANNUAL REPORTS

From the standpoint of the student of recent history, the annual reports from 1920 forward provide a lode of information on the reaction of more-or-less Big Business to changing business cycles. Such reactions are important, because they can foreshadow a trend in business operation with the subsequent effect on industry's public relations.

In 1921, when Deere lost nearly \$3,000,000 because of the general depression, especially in farm prices, Deere admitted that it had been unable to reduce expenses in the same proportion as sales. The following year Deere, acknowledging that it had scraped bottom in the spring, saw no real hope for the return of profits until farmers' costs declined. The automotive industry met the first postwar depression with courage, using the downtrend in prices and profits as a means of getting its house in order. Packard, theretofore a maker of luxury cars, introduced its comparatively cheap Single Six in the belief that the time was ripe for cheaper cars produced and sold in volume. General Motors announced that it had learned from the depression that automobiles had a much wider use than mere pleasure and that they could and should be run longer. Said a GM report:¹⁶

General Motors Corporation has followed the trend of the industry; its regeneration was necessary and it has been complete. Facilities for manufacture and sale have been revised, bettered and made more economical. Cars are more carefully designed, with a view to longer life, and greater economy in maintenance and operating costs. . . . System in management and control has been developed. . . . To many this period of transformation has been one of doubt, fear and misgiving, confused by large and unfinished developments but to those of clearer vision the possibilities of a greater, stronger and more useful and prosperous corporation have been constantly in mind. To them the period of regeneration is distinct from and independent of the development of the Corporation as planned in earlier years.

When the 1929 depression hit, Chrysler was convinced, like so many other companies, that the automobile's position in American life was too secure and demand was too stable for anything more than a temporary recession. By 1932 Chrysler was convinced that the

¹⁶ General Motors, *Annual Report*, 1922.

depression was serious, but that it offered an opportunity for expansion and for increased engineering research. Farm machinery companies likewise felt that the depression was a time for opportunity. Allis-Chalmers in 1931 announced several plant purchases, made advantageously because of existing low prices, and, further, it announced its diversification into the broad mass-production market, especially into the handling of those goods requiring replacement regardless of business conditions. And it will be remembered from earlier in this paper that this was a period when Standard Brands, General Foods, Borden's, and National Dairy were growing mightily, diversifying products, tapping new trade regions, forever expanding and combining. If this was Depression, industry would make the most of it!

The flutter that came in 1937 left Caterpillar frankly worried, a worry shared with the public in its annual report. With the company producing beyond demand, Caterpillar admitted with admirable candor that it was unable to gauge an adequate rate of production and that meanwhile its inventory was the highest in history and growing.

The problems arising from the conclusion of World War II received more space from automotive annual reports than from those of the other two industries. With factories behind in production, prices high, and labor striking, Nash ran paragraphs on the possibility of high prices stifling demand, while Chrysler commented as follows:¹⁷

If present price levels continue or rise, it is apparent that the ultimate replacement problem can only be met, without resort at some time in the future to capital financing, by accumulating cash balances from current operations. Your management has this firmly in mind in determining the Corporation's fiscal policies, but as yet no method of dealing with this matter in corporation accounting reports seems to have been devised and accepted into common practice.

As prices continued to rise in 1948, Chrysler again warned that since no significant drop in costs was in evidence, the automotive industry could be heading toward a crisis. Said Chrysler: "The danger that ultimately rising costs may at least to some extent price the automobile industry out of the volume market is ever present. Only time and the pressure of competitive forces in the country's over-all economy can determine that."¹⁸

¹⁷ Chrysler Corporation, *Annual Report*, 1947.

¹⁸ *Ibid.*, 1948.

Meanwhile the foods industry was having to borrow to finance inventories, since depreciation accruals failed to provide enough funds to carry the high cost of replacement. Like the automobile industry with its problems, the foods people saw little solution for their problem except to borrow, though by 1948 they were beginning to see relief as their prices tended to level off and their volume of sales to stabilize.

SUMMARY

If the study of the annual reports in the foods, farm machinery, and automobile industries reveals any pattern, it is simply that reports differ not so much between industries as between companies. Each of the three industries produced examples of progressive, full-bodied annual reports characterized by honest attempts at good public relations, while at the same time each industry had its share of annual reports which gave only the barest information.

The size of a company is not indicative of the quality of the public relations job done through its annual report. On the one hand is the giant A & P with its two billion dollars' worth of yearly sales issuing only a postcard report, and in the same industry is comparatively small Jewel Tea issuing a report of uniformly high quality.

In general, automobile reports tend to be optimistic and breezy—one might be tempted to say, "typically American." Farm machinery reports adopt the mildest tone and generally are the most conservative in outlook, though always acutely aware of their close relationship with the public. The foods industry issues the most assured reports, alive with quiet confidence. Could this be because of a psychological assurance that foods products are always in demand, so that the companies are bothered less with stimulating a market than with maintaining their relative position within that market?

Some lessons in public relations can be learned from a wholesale study of annual reports. A report should either ignore a controversial situation or should explain it fully. Reports, for instance, which list a company's loss on a year's operation as being the result of adverse "outside" conditions without telling what those conditions are and how they are being attacked arouse doubts in this reader's mind as to the company's adequacy in handling the situation. A sort of sober gusto should be the mood for tackling the controversial, a realism tempered with confidence.

Obviously some reports have been prepared by people untrained in getting written ideas across. Not all accountants can write, but,

then, neither can all public relations men. Pains should be taken to achieve clarity, which means simple writing rather than cumbersome attempts at fine writing. There is a vast gap between the style of a report to be seen by fifteen directors highly trained in business, and fifty thousand stockholders and employees whose business experience and understanding run the gamut.

Another lesson to be learned is that sleek packaging can be overdone until it repels the prospective reader. Makers of annual reports should look at Hollywood, which has advertised "colossal" productions in "glorious" Technicolor with such cheapening indiscrimination that the adjectives have been milked of meaning, until now no one notices. It may be that the ordinary tightening of business practice which is apparent at present will take care of this tendency.

A fourth lesson to be learned is that annual reports should appeal to a variety of tastes, a lesson requiring no elaboration.

Good public relations demands that reports avoid the appearance of begrudging social advances, either imminent or already granted. If pertinent, the report should explain the implications and limits of the change, and here a report can hit hard so long as it hits squarely.

Finally, reports should educate, but not pontificate. Some comments, particularly those dealing with private industry's accomplishments in a private enterprise system, sound as if they were pronouncements handed down straight from the Delphic Oracle. Again the simple, direct approach, as exemplified by some of General Motors' and Borden's educational features on how their respective companies operate, breeds respect in all but the most grudging reader.

Taken by and large, annual reports, with their mass circulation running sometimes into the hundreds of thousands, should be, and are, a great aid in forwarding good public relations. They go to an audience whose influence is vast and varied, an audience more interested than most because it has some sort of personal stake in what the report represents. What better place is there for industry to use as a starting block in building a solid structure of intelligent, dynamic public relations?

JOE B. FRANTZ

The University of Texas

Research in Public Accountancy

By MARY E. MURPHY

Hunter College of the City of New York

"English accounting practice has been developing for many years, but it has not made any substantial contribution to economic science over its own field of the analysis of the results of industry, although it has practically a monopoly grip of the required data. Accountants have the figures; other people cannot use them and if accountants will not, then we get nothing; economics continues its abstract declarations and business blunders on by individual instinct." This ringing challenge delivered by the late Lord Stamp more than twenty-five years ago has not been fully met by either the English or the American accounting profession. An assessment of progress to date and an analysis of the factors impeding accounting research are the purposes of this paper.

What record exists of what has been accomplished and what left undone in the last fifty years or more? The enlargement of accounting theory and auditing technique is one of the important developments of this century, a corollary to the increased influence of business and finance in the community. Those who seek knowledge of the steps taken by practitioners—first in Scotland, then in England, later in some of the Dominions and finally in the United States—to attain solidarity of purpose, professional recognition, and ethical standards, all now taken for granted, must search through biographical sketches and obituary notices of professional leaders, addresses of society officers, and scattered articles and reminiscences for clues to what has occurred and, more importantly, to the significance of men and events.

An exhaustive search of references pertaining to English accountancy has revealed the following: *A History of Accounting and Accountants*, edited by Richard Brown in 1905; *Chapters in the History of Bookkeeping and Accountancy*, written by David Murray in 1930; "Fifty-Seven Years in an Accountant's Office," a paper read by Ernest

EDITOR'S NOTE. In the absence of Miss Murphy, this paper was read by Mr. Navin at the joint meeting of the Business Historical Society, Inc., and the American Historical Association, Dec. 29, 1949.

Cooper before a meeting of the Institute of Chartered Accountants and reprinted in *The Accountant*, issue of October 21, 1921; the October 1, 1949, issue of the same periodical—noting its seventy-fifth anniversary, tracing the growth within the profession, and describing outside influences upon this evolution; a lecture on "The Position of the Public Accountant in Relation to Business and Government in Great Britain," delivered by Sir Laurence Halsey at Harvard University as Dickinson Lecturer (reprinted in *The Journal of Accountancy*, August and September, 1938); and a monograph prepared by the writer, *The Profession of Accountancy in England*, issued by the American Accounting Association in 1942.

As far as is known, the only published history of an English accounting firm is that of Deloitte, Plender, Griffiths & Co., and this document (published in 1942) covers only the early years of growth. This history is one of the best written of all historical documents examined, and a sequel seems called for to bring firm experience up to date and to summarize the professional and civic activities of the late Lord Plender.

In this country, attention is first directed to the memoirs of the late James T. Anyon, *Recollections of the Early Days of American Accountancy, 1883-1893*, privately printed in 1925. The Committee on History of the American Institute of Accountants has devoted its efforts to indexing historical references, stating its conviction that "it was not expected to write a history, at least not as a body, although some of its members have done so and may do so again. It feels that its duty to the Institute and the profession has been and is to make the necessary source materials as conveniently available to authors as possible." Members of the Committee, however, have offered papers to advance the boundaries of research: Norman E. Webster (the present chairman) supplied the section entitled "Public Accountancy in the United States" for the volume titled *The American Institute of Accountants, 1887-1937*, and "What Is a Public Accountant?" for *The New York Certified Public Accountant* (issues of November and December, 1944); and Professor A. C. Littleton prepared a *Directory of Early American Public Accountants* (University of Illinois, 1942) and *Accounting Evolution to 1900*, under the imprint of the American Institute Publishing Company, in 1933.

Another member of the Institute Committee on History, T. Edward Ross, has written "Random Recollections of an Eventful Half Century" which, with the late George Wilkinson's "Organization of the Profession in Pennsylvania," amply covers practice in the Keystone

State; these papers have been published in *The Journal of Accountancy*, in October, 1937, and September, 1927, respectively. Commemorating the half-century mark, the New York and New Jersey Societies of Certified Public Accountants prepared brochures, one in 1947 and the other a year later.

Of the American accounting partnerships, Lybrand, Ross Bros. & Montgomery has been the most conscious of the necessity of leaving a record of attainment of professional ideals. In *Fifty Years, 1898-1948*, a wide range of topics is considered. Reminiscences of three founders—William M. Lybrand, Robert H. Montgomery and T. Edward Ross—published separately by the firm, succeed, in the writer's opinion, in recounting past events with accuracy and understanding and, need be, with amusement—all essential elements of good biography. Sketches of deceased members of the partnership, too, give more than an inkling of the imprint of these men on the profession; attention is especially directed to the pamphlet dedicated to the memory of Walter A. Staub, Dickinson Lecturer, 1940-41.

In the days when American accountancy was a fledgling profession, Sir Arthur Lowes Dickinson did much to cement Anglo-American relations and to advance professional ethics, education, and literature. The writer's evaluation of his American experiences was published in the *Bulletin of the Business Historical Society*, in April, 1947, while the English phase of his career appears in a series of articles printed in *The Accountant* from July 26 to September 20, 1947. A perusal of *Twenty-Five Years of Accounting Responsibility, 1911-1936*, material selected from the addresses, articles, and testimony of George O. May, published by the Institute in 1936, is rewarding reading, especially for those interested in the interrelation of accounting, law, and economics.

A tribute to the memory of Charles Waldo Haskins was prepared at the request of his partner, the late Elijah Watt Sells, in 1923.¹ The firm of Haskins & Sells has published a short history of its development from the founders' period, through two wars, depressions, and periods of prosperity, the expansion of offices and connections in various parts of the world, and finally to adjustments of the practice to the demands imposed by outside agencies. This volume, titled *The First Fifty Years, 1895-1945*, was privately printed by the firm and issued in 1946. The histories of F. W. Lafrentz & Company and Arthur Young & Company are the sagas of the rise of small firms to

¹ Written by W. G. Jordan and published by Prentice-Hall.

large partnerships, and they provide insight into the mechanics of forming and supervising accounting practices.

Much remains to be done before public accountancy can claim historical studies on a par with those written for other learned professions. Before this can be accomplished, however, firms of all sizes and types, both in Britain and America, will have to write their own stories or permit competent scholars to prepare documents which will stand the tests of accuracy and impartiality. Special problems are inherent in accounting research, none of them insurmountable, but all demanding the best efforts of the historian. These include the search for materials in libraries and files; the tactful interviewing of active and retired partners of accounting firms; and the consideration of the problem of preserving confidential information obtained from firm minutes, partners' diaries, correspondence, working papers, and audit reports, and of relating general professional change to important trends in business and finance.

The documentation of an accounting history poses no dilemma if the researcher is free to travel about the country in search of references. Many books and periodicals on accounting and auditing, covering the period from 1880 forward, are available at Harvard, while the Montgomery Collection at Columbia and the Hatfield Collection at Berkeley are a researcher's paradise. Fortunate is the historian who can examine materials in the British Museum and in the libraries of the Institute of Chartered Accountants and the Society of Incorporated Accountants, now available to scholars although not yet returned to their bombed-out London quarters.

When the business historian turns to the interview as one means of acquiring an intimate knowledge of the background and operation of an accounting partnership, perplexing intangibles appear. All partners, irrespective of whether they be active or retired, naturally feel a close relationship to the firm, perchance enhancing their own rôle in the "team" and withholding kudos to others who have in one way or another contributed to firm purpose and profit. Not only do the statements elicited in an interview have to be checked with the files and other firm data—for man's memory is notoriously short and appraisal of events frequently unconsciously biased—but the historian must evaluate this information in relation to the comprehensive story of the firm.

A partner who has stood at the head of his firm for many years, steering its course through the shoals of two world wars, of depressions and periods of inflation, of searching governmental inquiry, and

of legal cases involving auditors' duties, sincerely believes that he should be chosen as firm historian. The redirection of his urge to create to the post of collaborator in the collection of firm data is one which may well draw upon all the tact possessed by the business historian.

Interviews, of course, must not be limited to partners, as frequently an office boy, speaking frankly and informally, proves to be a veritable "gold mine" of information concerning salary and retirement policies which the historian may find dovetail or contrast with data obtained from a personnel manager. On more than one occasion a secretary who has worked intimately with a key executive can furnish a sketch of her employer which is far more revealing than that furnished by his business associates.

It is the writer's opinion that an individual's value as a source of firm information is closely correlated with his own interest in history generally and in his company's history particularly. It is her opinion, too, that men and women steeped in the British tradition, which has always paid obeisance to past accomplishments, are enthusiastic about an historical project and eager to support it, even at the expense of time and effort on their own part. Significantly, the only periodical devoted to the advancement of the science of accountancy, *Accounting Research*, a journal comparable to *The Economic Journal* of the Royal Economic Society, is published by a group of practitioners representing various shades of opinion within the English profession. It should be stressed, however, that the American Institute of Accountants' Committees on Accounting and Auditing Procedure have published numerous pamphlets in their respective fields of interest, while the Institute is now sponsoring jointly with the Rockefeller Foundation a broad study of business income.

The feeling of haste to put the history on paper is an occupational hazard in the field of public accountancy where speed always has been an essential element, with emphasis placed on the proper discharge of wide-ranging engagements rather than on the historical background and permanent significance of these engagements. The drive to meet auditing appointments has robbed the accounting profession of many potential historians, and it places the researcher on guard to meet the criticism sometimes leveled that the basic research is consuming too much time and that the writing process is proceeding too slowly.

When the history has been completed to the researcher's satisfaction, the battle is still unresolved as, in the accounting profession where reports customarily are drafted and redrafted as many as ten

times before they finally prove acceptable to the reviewer, partners may feel they have the right to delete certain statements relative to firm policy and even historical facts which the scholar is convinced should be included to tell the whole story honestly. The somewhat stereotyped language of the auditor's report has worked against good writing within the profession and certainly handicaps the historian who wishes to endow his sentences with something other than the dryness of ledgers and journals. A seemingly innocuous word, such as "distinguished," used to describe a C. P. A.'s lifetime of accomplishment, may be branded with the term "sensational" by a practitioner born and bred in the tradition of writing: "We have counted the cash and find that"

The most vexing problem to be solved by business historians in the field of public accountancy, however, is how to obtain and utilize confidential material reposing in firm files. In this connection it is well to refer to the late Robert T. Swaine's method of approach to *The Cravath Firm*, under which all manuscript references to clients were submitted to them for consideration and approval before final inclusion in the volume. Accountants as well as lawyers have dedicated their lives to the protection of clients' confidential affairs. In public accountancy, each partnership seems to recognize an unwritten code requiring retention within its own ranks of information concerning the techniques designed to meet special auditing engagements, the methods of preparing working papers to cover a complex consolidated entity, the reasons leading to the relinquishment of audits and the arguments offered to sway managements to the independent accountant's viewpoint, the extent of frauds discovered, the plans to train college graduates and to indoctrinate them with the ideals of the firm and the profession, the modifications of financial statements to meet the requirements of the New York Stock Exchange, the S. E. C., the I. C. C. and other governmental agencies, the legal cases involving auditors and the enlargement of responsibility by the Bench, and the programs to ensure continuous development of ethics and standards.

All these factors can be found in the files of accounting firms, but there is little exchange of ideas within the profession. Cross-fertilization of thought is attained by publications and meetings sponsored by the American Institute of Accountants and various State societies, and to a more limited extent by coöperation of accountants and lawyers, bankers, credit men, and the S. E. C. Case studies, which in the legal profession play an important part in university education, are

not available to the rising accountant. Although specialized literature in accounting and auditing has increased tremendously in the last two decades, technical phases of these subjects remaining a tribute to the intelligence and ingenuity of the American practitioner especially in the field of consolidated accounts, yet young practitioners lack the inspiration to be derived from a history of their chosen profession as well as an appreciation of past accomplishments of men who contributed to the prestige of public accountancy. This situation is somewhat reduced in intensity in Great Britain where Company Law Amendment Committees from time to time explore the question of possible improvements in accounting and business practice, at such intervals reviewing past developments and relating them to important trends, such as the recognition of third-party responsibility by independent accountants.

From research in public accountancy should come a greater understanding of the following: the importance of accounting in the national and world economy; the contribution of auditors to the improvement of records of large and small companies and to the increasing emphasis upon corporate publicity; the recognition of the transition from British auditing methods to American procedures, and especially of the concentration upon the income account in this country in contrast to the balance sheet in Britain; the analysis of important economic, industrial, and financial forces affecting accountancy; the efforts to clarify terminology and to meet criticisms of economists and lawyers that accounting phraseology is ambiguous in many particulars; the consideration of changing price levels, taxation, and shifting business philosophies and governmental policies; and the long-range plans to advance standards of technical excellence and codes of ethical practice.

In the great Victorian age, when British pounds were invested in all parts of the world and British auditors followed these pounds to provide absentee investors with certified accounts, chartered accountants came to this country, bringing with them the prestige of public accountancy as it was known in the land of the heather and the City of London. Now the tables are reversed: we stand in a creditor position and American accountants must travel 'round the free world to protect our investments in manufacturing ventures, distributing agencies, plantations, mines, and oil wells. Our auditing techniques match in excellence—in some particulars exceed—those of our British cousins. What remains unattained in the American accounting profession is the recognition that the preparation of a defini-

tive history is an essential element of growth as well as a symbol of professional maturity. The challenge is unanswered: That an accounting partnership with wide experience and preferably an international practice open its files and permit a competent business historian to write the story of this partnership, with absolute accuracy and impartiality and with the complete independence so highly prized by the profession. This project would record the accomplishments of the firm and of the profession, portraying public accountancy as a gradually evolving force in national and international business and finance.

General Meeting of the Members of the Business Historical Society, Inc.

On December 29, 1949, the members of the Society gathered in the first general meeting held by the Society since 1946. The occasion was a luncheon sponsored jointly by the Business Historical Society and the American Historical Association. The luncheon was held in the Hawthorne Room of the Parker House, Boston, and was preceded and followed by morning and afternoon sessions devoted to the reading of papers on research and teaching in the business history field. (The papers are being published in this and following issues of the *Bulletin*.)

Following the luncheon and immediately preceding a speech by Professor N. S. B. Gras on "The Business Historical Society: Past, Present, and Future," a short business meeting was held. Members were asked to vote on a change in the Society's by-laws increasing the permissible number of members on the Council to fifteen. After so voting, the members elected as additional Councilors Dr. Thomas C. Cochran of New York University; Mr. Allan Forbes, President of the State Street Trust Company; Dr. Henrietta M. Larson of the Harvard Graduate School of Business Administration; and Mr. D. George Sullivan, Treasurer of the Massachusetts Hospital Life Insurance Company. All incumbent Council members, as well as the incumbent Treasurer, Assistant Treasurer, and Clerk, were reelected. Reports submitted by the Treasurer and the Clerk were distributed in printed form to all members present and by mail to members not attending the meeting.

A Correction

It has been called to the attention of the editor of the *Bulletin* that the name of McKinsey & Company, management consultants, was misspelled on page 182 of the December, 1949, issue of the *Bulletin*.

HARVARD STUDIES IN BUSINESS HISTORY

1. JOHN JACOB ASTOR, BUSINESS MAN
BY KENNETH WARREN FORTER

2. JAY COOKE, PRIVATE BANKER
BY EUGENIE M. LANGON

**3. THE JACKSONS AND THE LEES: TWO
GENERATIONS OF MASSACHUSETTS
MERCHANTS, 1786-1844**
BY KENNETH WARREN FORTER

**4. THE MASSACHUSETTS-FIRST NATIONAL BANK
OF BOSTON, 1784-1894**
BY H. A. D. ORIN

**5. THE HISTORY OF AN ADVERTISING AGENCY:
N. W. AYER & SON AT WORK, 1869-1949**
Revised edition. BY RALPH M. BOWEN

**6. MARKETING LIFE INSURANCE: ITS HISTORY
IN AMERICA**
BY J. OWEN SCALAPIN

**7. HISTORY OF MACY'S OF NEW YORK, 1858-1919:
CHAPTERS IN THE EVOLUTION OF THE
DEPARTMENT STORE**
BY RALPH M. BOWEN

**8. THE WHITESMITHS OF TAUNTON: A HISTORY
OF REED & BARTON, 1824-1943**
BY GEORGE FREDERICK GIBB

**9. DEVELOPMENT OF TWO BANK GROUPS IN THE
CENTRAL NORTHWEST: A STUDY IN
BANK POLICY AND ORGANIZATION**
BY CHARLES STERLING FORTER

**10. THE HOUSE OF HANCOCK: BUSINESS
IN BOSTON, 1724-1776**
BY W. T. BARTON

**11. TIMING A CENTURY:
HISTORY OF THE WALTHAM WATCH COMPANY**
BY G. W. MOORE

**12. GUIDE TO BUSINESS HISTORY:
MATERIALS FOR THE STUDY OF AMERICAN
BUSINESS HISTORY AND
SUGGESTIONS FOR THEIR USE**
BY EUGENIE M. LANGON

**13. PEPPERELL'S PROGRESS: HISTORY OF A
COTTON TEXTILE COMPANY, 1844-1945**
BY EVELYN E. KNOWLTON

**14. THE HOUSE OF BARING IN AMERICAN
TRADE AND FINANCE: ENGLISH MERCHANT
BANKERS AT WORK, 1763-1861**
BY RALPH W. HEST